

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

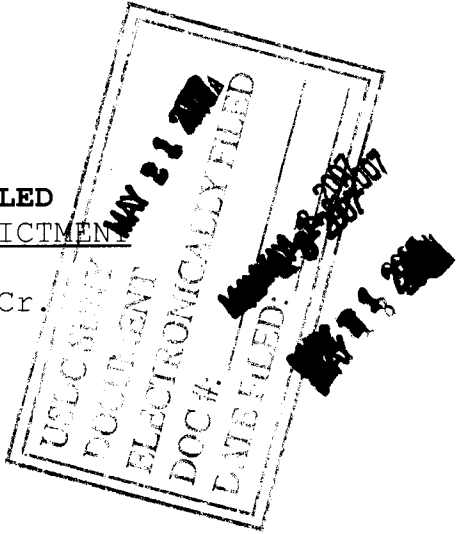
- v. -

VLADIMIR ZDOROVENIN, and
KIRILL ZDOROVENIN,

Defendants.

SEALED
INDICTMENT

07 Cr.



COUNT ONE

07 CRIM 440

(Conspiracy)

The Grand Jury charges:

Relevant Persons And Entities

1. At all times relevant to this Indictment, VLADIMIR ZDOROVENIN, the defendant, was a Russian national residing, among other places, in or about Moscow, Russia.
2. At all times relevant to this Indictment, KIRILL ZDOROVENIN, the defendant, was a Russian national residing, among other places, in or about Moscow, Russia. KIRILL ZDOROVENIN is the son of VLADIMIR ZDOROVENIN, the defendant.
3. At all times relevant to this Indictment, Sofeco LLC ("Sofeco"), Pintado LLC ("Pintado"), Tallit LLC ("Tallit"), Novitex Corp. ("Novitex"), and Rauna Ltd. ("Rauna") were corporations registered in the United States controlled by VLADIMIR ZDOROVENIN and KRILL ZDOROVENIN, the defendants, and others known and unknown. At all times relevant to this Indictment, Sofeco, Pintado, and Tallit maintained bank accounts

at JP Morgan Chase Bank ("JP Morgan Chase") and Novitex maintained a bank account at Asia Europe America's Bank ("AEA Bank").

4. At all times relevant to this Indictment, Rim Investment Management, Ltd. ("Rim") was a company controlled by VLADIMIR ZDOROVENIN, the defendant, and others known and unknown.

5. At all times relevant to this Indictment, the Internet was a worldwide network of computers connected, among other means, by interstate and international wires. Among transactions that could be effected using the Internet were the transfer of funds by and among banks and bank accounts through Automated Clearing House ("ACH") transfers, electronic fund transfers, and the purchase and sale of securities of publicly-traded companies. Ameritrade, Charles Schwab & Co., Inc. ("Schwab"), eTrade Financial Holdings Co, ("eTrade"), and Fidelity Investments Co. ("Fidelity"), among other companies, offered customers, including customers in the United States, the ability to transfer money by ACH and electronic fund transfers and to purchase and sell securities of publicly-traded companies via the Internet.

6. At all times relevant to this Indictment, Rim maintained a financial services account at Ameritrade, Inc. ("Ameritrade"). By and through its Ameritrade account, among other things, Rim bought and sold securities of publicly-traded

companies.

7. At all times relevant to this Indictment, Sofeco, Pintado and Tallit held themselves out as legitimate Internet merchants which, by and through their Internet web sites, appeared to offer goods and merchandise for sale to customers through credit card purchases.

The Fraudulent Scheme

8. From at least in or about March 2004, through in or about March 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and others known and unknown, engaged in a fraudulent scheme to defraud United States citizens, including citizens residing in the Southern District of New York, out of hundreds of thousands of dollars for their personal benefit.

9. As a part of the fraudulent scheme, from at least in or about April 2004, to in or about July 2004, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, used Sofeco, Pintado and Tallit to receive unauthorized credit card payments from credit card holders residing in the United States. In connection with this scheme, the defendants maintained Internet websites in the name of Sofeco, Pintado and Tallit in order to deceive banks, credit card merchant services processors, credit card holders and others into believing that the unauthorized credit card charges were for legitimate goods. After receiving

the proceeds of the unauthorized charges, the defendants typically transferred these proceeds from the bank accounts of companies receiving the payments (e.g., Sofeco, Tallit, etc.) to Novitex's bank account, and thereafter, to the account of Lemery Group, Ltd. ("Lemery Group") at Lateko Bank in Riga, Latvia. The defendants obtained the credit card numbers used in this scheme by purchasing them from other persons who had obtained them without authorization. The defendants also obtained these credit card numbers using computer programs surreptitiously installed on victims' computers, which recorded victims' credit card numbers and other personal information as it was entered by the victims and, subsequently, transmitted that information to the ZDOROVENINS.

10. As a further part of the fraudulent scheme, from at least in or about June 2004, to in or about February 2005, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, without permission or authorization, using the Internet, accessed the financial services accounts of victims located in the United States, including at least one victim located in the Southern District of New York, and transferred, and attempted to transfer, hundreds of thousands of dollars out of those accounts to bank accounts controlled by the defendants, including, among other bank accounts, Sofeco's bank account, Novitex's bank account, and Lemery Group's bank account.

11. As a further part of the fraudulent scheme, from at least in or about January 2005, to in or about February 2005, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, without permission or authorization, purchased and sold securities of various publicly-traded companies in the financial services accounts of victims located in the United States and, at or about the same time of such sales and purchases, bought and sold securities of the same companies in the account of Rim at Ameritrade. Such unauthorized trading activity affected, among other things, the price of these securities. By and through affecting such prices the defendants were able to earn profits from trading securities in Rim's account that they would not have otherwise earned.

Statutory Allegation

12. From at least in or about March 2004, through in or about November 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and others known and unknown, unlawfully, willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, to wit, to violate Sections 1341, 1343, 1348, 1030(a)(4) and 1028A of Title 18, United States Code.

13. It was a part and an object of the conspiracy that VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants,

and their co-conspirators, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing such scheme and artifice, and attempting so to do, would and did place in a post office and authorized depository for mail matter, a matter and thing to be sent and delivered by the Postal Service and would and did deposit and cause to be deposited a matter and thing to be sent and delivered by private and commercial interstate carrier, and would and did take and receive therefrom, such matter and thing, and would and did knowingly cause to be delivered by mail and such carrier according to the directions thereon, such matters and things, in violation of Title 18, United States Code, Section 1341.

14. It was further a part and an object of the conspiracy that VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and their co-conspirators, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, would and did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures, and sounds for the purpose of executing such scheme and artifice to defraud, in violation of

Title 18, United States Code, Section 1343.

15. It was further a part and an object of the conspiracy that VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and their co-conspirators, unlawfully, willfully, knowingly would and did execute a scheme and artifice to defraud a person in connection with a security of an issuer with a class of securities registered under section 12 of the Securities Exchange Act of 1934, and required to file reports under section 15(d) of the Securities and Exchange Act of 1934, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of such security, in violation of Title 18, United States Code, Section 1348.

16. It was further a part and an object of the conspiracy that VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and their co-conspirators, unlawfully, willfully, knowingly and with intent to defraud, would and did access a protected computer without authorization, and exceed authorized access, and by means of such conduct further an intended fraud and obtain something of value, in violation of Title 18, United States Code, Section 1030(a)(4).

17. It was further a part and an object of the conspiracy that VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, and their co-conspirators, unlawfully, willfully,

knowingly would and did transfer, possess, and use, without lawful authority, a means of identification of another person during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, violations of Title 18, United States Code, Sections 1341, 1343, 1348 and 1030(a)(4), in violation of Title 18, United States Code, Section 1028A.

Overt Acts

18. In furtherance of said conspiracy and to effect the illegal objects thereof, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. On or about March 15, 2004, KIRILL ZDOROVENIN, the defendant, while in Russia, caused a facsimile to be sent from California to an individual located in New York, New York.

b. On or about March 15, 2004, KIRILL ZDOROVENIN, while outside the United States, had a telephone conversation with an individual located in New York, New York.

c. On or about March 17, 2004, VLADIMIR ZDOROVENIN, the defendant, while outside the United States, had a telephone conversation with an individual located in New York, New York.

d. On or about May 4, 2004, KIRILL ZDOROVENIN,

while outside the United States, caused approximately \$2,594.48 to be sent to a bank account controlled by the ZDOROVENINS located in Seattle, Washington.

e. On or about May 14, 2004, KIRILL ZDOROVENIN, while outside the United States, sent an e-mail to an individual located in New York, New York.

f. On or about May 14, 2004, KIRILL ZDOROVENIN, while outside the United States, sent an e-mail to an individual located in New York, New York.

g. On or about June 24, 2004, VLADIMIR ZDOROVENIN attended a meeting in Limmasol, Cyprus.

h. On or about June 25, 2004, KIRILL ZDOROVENIN attended a meeting in Limmasol, Cyprus.

i. On or about July 19, 2004, a member of the conspiracy not named as a defendant herein transferred approximately \$35,000 from a financial services account of an individual located in the United States to a bank account controlled by KIRILL ZDOROVENIN and VLADIMIR ZDOROVENIN.

j. On or about July 22, 2004, a member of the conspiracy not named herein transferred approximately \$49,750,000 from a financial services account of an individual located in the United States to a bank account controlled by KIRILL ZDOROVENIN and VLADIMIR ZDOROVENIN.

k. On or about July 27, 2004, KIRILL ZDOROVENIN, while outside the United States, sent an e-mail to an individual

located in New York, New York.

l. On or about July 27, 2004, KIRILL ZDOROVENIN, while outside the United States, had a telephone conversation with an individual located in New York, New York.

m. On or about August 3, 2004, a member of the conspiracy not named herein transferred approximately \$40,465 from a financial services account of an individual located in the United States to an undercover bank account controlled by the Federal Bureau of Investigation.

n. On or about August 24, 2004, KIRILL ZDOROVENIN, while outside the United States, sent an e-mail to an individual located in New York, New York.

o. On or about January 18, 2005, VLADIMIR ZDOROVEIN, while outside the United States, caused the purchase and sale of approximately 6,000 shares of shares of Terayon Communications Systems, Inc. common stock.

p. On or about January 18, 2005, VLADIMIR ZDOROVENIN, while outside the United States, caused the sale of approximately 2,700 shares of Applied Digital Solutions, Inc. common stock.

q. On or about January 19, 2005, VLADIMIR ZDOROVENIN, while outside the United States, caused the purchase of approximately 8,000 shares of Internet Capital Group, Inc. common stock.

r. On or about February 2, 2005, a member of the

conspiracy not named as a defendant herein transferred approximately \$70,325 from a financial services account of an individual located in the United States to an undercover bank account controlled by the Federal Bureau of Investigation.

s. On or about February 2, 2005, KIRILL ZDOROVENIN, while outside the United States, had a telephone conversation with an individual located in New York, New York.

t. On or about February 4, 2005, KIRILL ZDOROVENIN, while outside the United States, caused approximately \$94,500 to be transferred from a financial services account of an individual located in the United States to an undercover bank account controlled by the Federal Bureau of Investigation.

(Title 18, United States Code, Section 371.)

COUNT TWO

(Mail Fraud -- Unauthorized Credit Card Charges)

The Grand Jury further charges:

19. The allegations in paragraphs 1-9 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

20. From in or about March 2004, through in or about July 2004, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, knowingly the defendant, having devised and intending to devise a scheme and artifice to defraud, and for

obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to use credit cards belonging to other persons without such persons' permission in order to incur charges to those cards for fictitious purchases, for the purpose of executing such scheme and artifice and attempting so to do, did place in a post office and authorized depository for mail matter, a matter and thing to be sent and delivered by the Postal Service and did deposit and cause to be deposited a matter and thing to be sent and delivered by private and commercial interstate carrier, and did take and receive therefrom, such matter and thing, and did knowingly cause to be delivered by mail and such carrier according to the direction thereon, to wit, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, on multiple occasions, caused credit card processing companies, banks, and Internet web hosting companies to send, by United States Mail to a mail box located in New York, New York, used by the defendants, respectively, credit card records, bank statements and other bank and credit card account records relating to charges made to credit cards and accounts belonging to other persons without such persons' consent, and documents related to web hosting services.

(Title 18, United States Code, Sections 1341 and 2.)

COUNT THREE

(Wire Fraud -- Unauthorized Credit Card Charges)

The Grand Jury further charges:

21. The allegations in paragraphs 1-9 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

22. From in or about April 2004, through in or about June 2004, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to use credit cards belonging to other persons without such persons' permission in order to incur charges to those cards for fictitious purchases, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures, and sounds, to wit, e-mails sent via the Internet from outside the United States to an individual in New York, New York, interstate and international Automated Clearing House ("ACH") transfers sent outside the United States, and interstate and international electronic funds transfers of money sent outside the United States, for the purpose of executing such scheme and artifice to defraud.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT FOUR

(Mail Fraud -- Unauthorized Withdrawals)

The Grand Jury further charges:

23. The allegations in paragraphs 1-8, 10 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

24. From in or about June 2004, through in or about February 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, knowingly the defendant, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to withdraw money without permission or authorization from the financial services accounts of persons in the United States via the Internet, for the purpose of executing such scheme and artifice and attempting so to do, did place in a post office and authorized depository for mail matter, a matter and thing to be sent and delivered by the Postal Service and did deposit and cause to be deposited a matter and thing to be sent and delivered by private and commercial interstate carrier, and did take and receive therefrom, such matter and thing, and did knowingly cause to be delivered by mail and such carrier according to the directions thereon, to wit, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, on multiple occasions, caused banks to send, by

United States Mail, documents and other things to a mail box located in New York, New York used by the defendants.

(Title 18, United States Code, Sections 1341 and 2.)

COUNT FIVE

(Wire Fraud -- Unauthorized Withdrawals)

The Grand Jury further charges:

25. The allegations in paragraphs 1-8, 10 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

26. From in or about June 2004, through in or about February 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to withdraw money without permission or authorization via the Internet from the financial services accounts of persons in the United States, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures, and sounds, to wit, e-mails sent via the Internet from outside the United States to an individual in New York, New York, interstate and international ACH transfers sent outside the United States, and interstate and

international electronic funds transfers of money sent outside the United States, for the purpose of executing such scheme and artifice to defraud.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT SIX

(Computer Fraud -- Unauthorized Withdrawals)

The Grand Jury further charges:

27. The allegations in paragraphs 1-8, 10 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

28. From in or about June 2004, through in or about February 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly and with intent to defraud, did access a protected computer, to wit, computers in the United States which were used in interstate commerce, without authorization and in excess of authorized access, and by means of such conduct furthered an intended fraud, to wit, a scheme to withdraw money from financial services accounts and bank accounts located in New York, New York, without permission or authorization, via the Internet, and to obtain something of value.

(Title 18, United States Code, Sections 1030(a)(4) and 2.)

COUNT SEVEN

(Aggravated Identity Theft -- Unauthorized Withdrawals)

The Grand Jury further charges:

29. The allegations in paragraphs 1-8, 10 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

30. From in or about June 2004, through in or about February 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly did transfer, possess, and use, without lawful authority, a means of identification of another person, to wit, a computer username and password related to a bank account, during and in relation to a felony violation enumerated in Title 18, United States Code, Section 1028A(c), to wit, violations of Title 18, United States Code, Sections 1341, 1343, 1348 and 1030(a)(4).

(Title 18, United States Code, Sections 1028A and 2.)

COUNT EIGHT

(Wire Fraud -- Securities Manipulation)

The Grand Jury further charges:

31. The allegations in paragraphs 1-8, 11 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

33. From in or about January 2005, through in or about

February 2005, in the Southern District of New York and elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to manipulate the price of publicly-traded securities and to profit therefrom, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce writings, signs, signals, pictures, and sounds, to wit, e-mails sent via the Internet from outside the United States to an individual in New York, New York, and interstate and international telephone calls placed from outside the United States to an individual in New York, New York, for the purpose of executing such scheme and artifice to defraud.

(Title 18, United States Code, Sections 1343 and 2.)

COUNT NINE

(Securities Fraud -- Securities Manipulation)

The Grand Jury further charges:

34. The allegations in paragraphs 1-8, 11 and 18 are repeated, re-alleged and reincorporated as if set forth fully herein.

35. From in or about January 2005, through in or about February 2005, in the Southern District of New York and

elsewhere, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, unlawfully, willfully, and knowingly, executed and attempted to execute a scheme and artifice to defraud persons in connection with a security of an issuer with a class of securities registered under section 12 of the Securities Exchange Act of 1934, and that is required to file reports under section 15(d) of the Securities Exchange Act of 1934, and to obtain, by means of false and fraudulent pretenses, representations, and promises, money and property in connection with the purchase and sale of such security, to wit, a scheme to manipulate the price of publicly-traded securities and to profit therefrom.

(Title 18, United States Code, Sections 1348 and 2.)

FORFEITURE ALLEGATION

36. As the result of committing the mail and wire offenses in violation of 18 U.S.C. §§ 371, 1341 and 1343, as alleged in Counts One, Two, Three, Four, Five, and Eight of this Indictment, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, shall forfeit to the United States pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, all property, real and personal, that constitutes or is derived from proceeds traceable to the commission the offenses, including, but not limited to, a sum of money equal to at least \$100,000 in United States currency, representing the amount of proceeds obtained as a result of the mail and wire fraud offenses.

37. As a result of committing the computer fraud

offenses in violation of 18 U.S.C. §§ 371 and 1030, as alleged in Counts One and Six of this Indictment, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN, the defendants, shall forfeit to the United States pursuant to 18 U.S.C. § 982(a)(2)(B) all property, real and personal, that constitutes or is derived from proceeds the defendants obtained, directly or indirectly, as a result of the computer fraud offenses, including, but not limited to, a sum of money equal to at least \$100,000 in United States currency, representing the amount of proceeds obtained as a result of the computer fraud offenses.

Substitute Asset Provision

38. If any of the above-described forfeitable property, as a result of any act or omission of the defendants, VLADIMIR ZDOROVENIN and KIRILL ZDOROVENIN:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third person;

(c) has been placed beyond the jurisdiction of the Court;

(d) has been substantially diminished in value; or


(e) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of

said defendants up to the value of the above forfeitable property.

(Title 18, United States Code, Sections 981 and 982, Title 28, United States Code, Section 2461, and Title 18, United States Code, Sections 1341, 1343, and 1030(a)(4)).


FOREPERSON


MICHAEL J. GARCIA *mda*
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

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MICHAEL J. GARCIA
United States Attorney.

A TRUE BILL



Foreperson.

Joseph V. DeMarco
Assistant United States Attorney
(212) 637-2203

5/21/07 Indictment filed under seal. A/Ws issued
for all defts.

Fox, J.